MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BBF3624 – CREDIT MANAGEMENT

(All sections / Groups)

15th OCTOBER 2016
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 2 pages with 5 Questions only.

2. Attempt **ALL** questions. Each question carries equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a) State FOUR (4) most important challenges a banker may face while granting real estate loans. (8 marks)

b) Discuss the implication for each of these challenges to the concerned financial institution. (12 marks)

(Total: 20 marks)

QUESTION 2

a) Due to the complexity of the corporate loan market, suitable products are needed to meet the nature of diversified companies. Discuss any five (5) products which are intermediated by modern day financial institutions to meet these needs.

(10 marks)

b) In light of millions of losses experienced by banks through loan write-offs, can banks totally avoid the incidents of write-offs?

(10 marks)

(Total: 20 marks)

QUESTION 3

Elaborate on the SIX specific steps that may be taken by banks when an applicant is suspected to have resorted to creative accounting techniques.

(Total: 20 marks)

Continued...

QUESTION 4

a) Why are demographic factors important for banks in their efforts to understand the needs of their customers?

(5 marks)

b) With the aid of a diagram, discuss the "bank strategic market portfolio".

(15 marks)

(Total: 20 marks)

QUESTION 5

a) What is the purpose of Altman's Z score statistical application in lending? How do other methods of credit risk analysis complement the outcome of the Altman's Z score application?

(4 marks)

b) State the Altman's Z Score model detailing the weight and derivation of each variable.

(6 marks)

c) Discuss the relative importance of each variable that goes into the calculation of Altman's Z Score.

(10 marks)

(Total: 20 marks)

End of Paper